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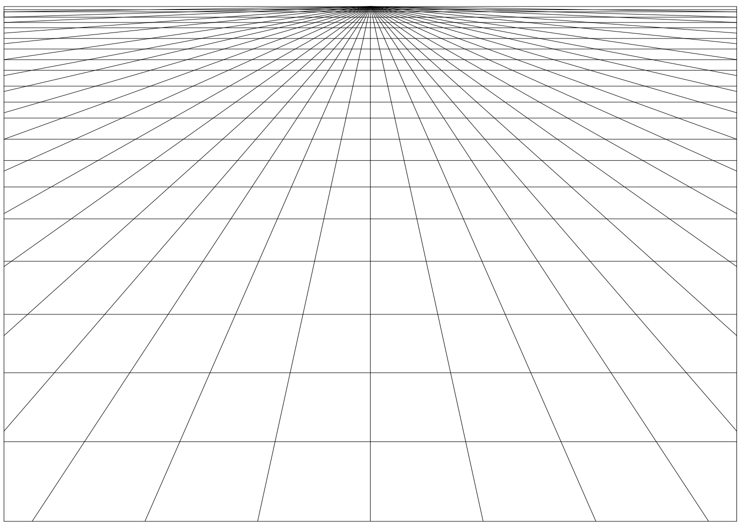

ESST MA

The Disruption, Divergence and Digitalisation of Books

A Case Study of the Norwegian Publishing Industry

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Abstract

Like many other creative industries, the book publishing industry is experiencing a shift away from the physical into the digital. This fundamental change impels firms to examine their products and competences, and look at how they stand in relation to the new technology. Through a case study of Norway's three largest book publishers; Gyldendal, Aschehoug and CappelenDamm, this thesis investigates how the Norwegian publishing industry think of, and respond to, the internet paradigm, high uncertainty and digitalisation. The data collection is based on semi-structured interviews with managers from both educational and general departments, and so reflects on both these markets, and their relation.

The thesis finds that publishers in Norway have come relatively far in developing digital pilot products and distribution-systems. However, this technology-push approach is hindered by the lack of a dominant design. Diverging formats and aims have created an uneven knowledge uptake, and resulted in a split between educational and general literature markets. This divergence is enhanced by the educational system, which has taken on a lead user role. In addition, the internet technology imposes social and cultural values that go against the grain of existing business models and established industry networks, and as such still represents a significant challenge for individual firms and the industry.

"To survive, they themselves will have to plot the obsolescence of what now produces their livelyhood." (Levitt 1960:47)

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Introduction

Books today look more or less the same as when they were invented after the introduction of paper to Europe in the early 13th century. The art of writing, illustrating and binding have remained valued cultural expressions ever since. As improving printing press technology and IT affected their creation over the centuries, the format took on different qualities. Yet the age-old essential elements remained unchanged until the new millennium, when the uptake of the internet suddenly made possible the adoption and diffusion of technologies disruptive to the industry. Over the last decade a crop of new products have appeared; trans-media formats, online teaching platforms, eReading devices and social forums have started to infiltrate the book market.

This transition from physical to digital products signifies an enormous change in the lowered cost of duplication and distribution, but what are the implications of this? How do online sales and consumption change existing business models? In what way does it affect user habits and how we read? What are the effects of this? How do publishers now look at the future? These are broad issues that can be looked at both from a macro and micro perspective, and could be investigated in terms of diffusion of knowledge, innovation systems, or policy implications. This thesis will be limited to the issues at hand; in what way publishers strategize to meet the challenges of new technology.

The text will look at how Norwegian publishers view the digitalisation process; are they building competences in relation to the internet? If so, what aspects of the process do they focus on? Do they re-evaluate the core values of their products? How do these values translate to a different medium? Do they consider the different cultural aspects of internet technology?

Are there any clear hindrances to an overall system change? Do policies and industry agreements forward change?

By following the thoughts and actions of an industry as 'the pieces are put into play' the thesis aims to shed new light on how companies in this position relate to change, to the new medium and to themselves. The case study is based on Gyldendal, Aschehoug and CappelenDamm; the three largest publishers in Norway. These were chosen not only because of their size, but also because they have both educational and fiction departments. This makes them representative of more than one aspect of the industry. The findings are seen in correspondence with theories from innovation as well as with other alternative industry examples. The discussions brought forward might be applicable to other publishers that want to develop a digital strategy, perhaps even to other copyright businesses.

An idea promoted by authors (such as Acrich 1992 writing in the tradition of actor network theory) is that a technology carries with it a 'script'; a set of values, culture and language. An object is, then, not a passive entity, but a network of rules of engagement that define how a user should interact with it. In the case of a large technological system this might be doubly true. A techno-economic paradigm created by a radical innovation such as the internet (Perez 2002), constitutes a social and economic reality that affect all parts of society. In this way the internet has its own, embedded, culture or core values. Understanding the rules of engagement imposed by the internet thus become an important part of assessing what options firms have when dealing with this radical innovation. The nature of the technology should influence how firms position themselves, their understanding of their products and their users, and the effectiveness of their business model. The path dependency inherent in the technology interacts continuously and inevitably with the path dependency of the industry. In other words: a firm's history, values and cultural awareness enable or disable them from adapting to a new paradigm.

Structure

The thesis firstly outlines theoretical fields from various disciplines that have informed the case study. The chapter runs through disruptive innovation, innovation management theories and internet related literature, all of which are applied in the discussion of the findings. To make the connections between the field of study and theory clear this chapter also introduces some examples. This contextualisation of theory provides an understanding of the larger issues that inform the research questions and methodology. The method chapter explains in what way the case was carried out, detailing how the research was done and why.

The case study presents the history of the Norwegian publishing industry and the findings of the case study, describes the separate firms and the overall impressions of the case, and discusses the main findings. The main findings are contextualised throughout with an on-going discussion of theory, examples from other industries, and possible practical implications. Some implications for the industry and policy makers are outlined.

The concluding remarks sum up the case study, its main findings, and what practical and policy implications these might have. Finally, some topics for further research are suggested.

Key Terminology

The thesis will go into some detail as to the specifics of the copyright industry. The term 'copyright industry' refers to all industries in which the end product line is copyright protected. That is; the film, music, newspaper and book industries among others. The term 'creative industries' is similar (it includes trademark and patent protected products such as designs and electronics), but this phrasing puts the emphasis not so much on the end product and legal issues as on a way of working, describing the firms more succinctly as content providers (Howkins 2001). The 'publishing industry' is in this essay meant to encompass only those companies whose main business it is to produce books.

Some terms commonly used in the book publishing industry provide useful distinctions. A ‘title’ is a publication in all its forms; paperback, hardback, digital, audio or others. These various packages a title can come in is a ‘format’. Unique sales points, ‘USPs’ are aspects of a new title that helps distinguish it and provides the publisher and bookseller with an idea of the target audience (Aschehoug 27.05.11). These can also be developed at an early stage, to direct the development of the product.

A standardised format for eBooks has by and large been accepted in the industry. This format, called ePub, is developed by the International Digital Publishing Forum (Sande 31.01.10). While the file format is based on text and has little room for multimedia content, it is also portable and convenient, and allows for embedded DRM (digital rights management), which hinders copying (The Digitalisationreport 2008 06.06.08). But different digital book formats exist, and a clear differentiation of the ‘eBook’, a digital copy of the paper book with limited usability, and the ‘enhanced eBook’ which might include film, audio or other interactive elements is here appropriate (Gyldendal 06.06.11). A further distinction is added by the fact that digital formats can be sold either as single products, or customers can pay for access to a ‘platform’; a service or cluster of products. One can therefore differentiate between services (platform based) and tools (single, smaller, products) (Gyldendal 04.07.11). In a similar fashion a technology (like the iPad) creates a platform for specific formats. Different formats and platforms of distribution (such as Apples AppStore or Spotify) facilitate alternative forms of payment, like incremental; where users pay small amounts in stages during consumption, or subscription; where one purchase access (Johnson 2010, Raccah in seminar 16.02.11). When large projects are developed, service and software industries use the iterative method; firms develop and implement a small percentage of the product first, and this acts as a platform for further building (MacCormac 2001).

Terminology from general innovation literature is also used. 'Path dependency' describes a situation where force of habit controls or limits the room for action (Perez 2002), while a 'dominant design' is the qualities established products have settled on (Bijker, Hughes, Pinch 1993). A 'radical innovation' on the contrary, is a product that undermines an established market. This can also be described as a 'disruptive technology' (Christensen 1997). If there is a major shift in the market one traditionally talk of a 'paradigm shift' as referring specifically to ideas and values, or a 'systems transition' suggesting the change is in structure or network (Tidd and Bessant 2009). In this text, however, the term paradigm is used in the widest possible sense (described as a techno-economic paradigm by Perez 2002), and consequently includes social aspects. A 'market pull' describes when there is a need for a product before there is such an offering in place, and ‘technology push’ the opposite; where firms innovate ahead of actual demand (Tidd and Bessant 2009). 'Lead users' are invested members of the user group that spend a lot of time with any given product (von Hippel 2005), while 'fringe users' are the ones who are disenchanted with mainstream offerings for some reason or another, and are looking for alternatives (Christensen 1997).

Theory

In this chapter some theoretical concepts are presented that will constitute a framework for illuminating the situation in more detail. On a macro- or industry level we can investigate national and global networks, path dependencies and markets, and their effects on the economic and political framework firms exist within. From the vantage point of the firm a different set of issues appears; ones that relate to knowledge uptake and competency stretching for evolving the product. Internet-technology is a more recent topic, and has not yet reached the academic quality or volume to become influential, but is nevertheless an interesting and growing field of research. Discussing theories put forward by these fields in combination constitutes a relevant theoretical framework for answering the research questions of the present study.

Industry Network

Networks are, according to Fagerberg (in Fagerberg, Mowery, Nelson 2005) a set of activities or actors set in correlation to each other. A network perspective naturally focuses on the systemic interdependencies of actors; where there are strong or weak linkages, and how the structure of the network affects actors and their behaviour. Global, national or local systems facilitate growth of certain industries and hinder the development of others, resulting in regional knowledge clusters. A firm thus exist within a network of other actors, who affect their ability to innovate.

Additional restraint come from institutions, or “laws, rules, norms, and routines–that constitute incentives and obstacles for innovation.” (Edquist in Fagerberg, Mowery, Nelson 2005:182). For the innovative firm, three sources of opportunities exist, according to Drucker

(1998), *outside* a company in its "social and intellectual environment: demographic changes, changes in perception, and new knowledge" (Drucker 1998:4).

Publishing is, one could argue, at the moment facing all these 'opportunities' at once. Newspapers had an early presence online, and have by and large successfully continued their branding on the internet. As content creators and copyright businesses they serve as a comparable example for the publishing industry. While the buying and reading of newspapers has been declining since the late fifties, with "a rapid speeding up in decline in recent years" (Williams 2010:5), there seems to be no direct translation between online content and declining sales. In fact "newspapers that do well on the web also do better in print" (Chisholm quoted in Preston 17.10.10). Yet in general, newspapers might be losing out to other digital media, especially since "newspapers often appropriated new technologies with a somewhat conservative mindset, thus acting more slowly and less creatively than competitors less tied to traditional media" (Boczkowski 2004:52).

Drucker also stated that "new opportunities rarely fit the way the industry has always approached the market, defined it, or organised to serve it". The implication of this is that established companies, "concentrating on defending what they already have, tend not to counterattack when a newcomer challenges them." (Drucker 1998:6). In other terms, they struggle to come to grips with the new technology and all it encompasses.

Path Dependency

The term path dependency "reflect the conservatism of professional and functional groups. It also results from cognitive limits in individuals' knowledge about technologies, markets, and the opportunities presented by developments in each." (Fagerberg, Mowery, Nelson 2005:95). Path dependencies relate not only to firms but also to whole industries, as "the same can happen to established networks, […] the participants converge to a common perception of reality" (Fagerberg, Mowery, Nelson 2005:12). Some limits of perception are both necessary and positive - without them it would be difficult, if not impossible, to remain focused in a complex reality. Strong path dependency is thus often both a sign and an effect of organisational efficiency and streamlined processes. At the same time it might inhibit the uptake of alternative knowledge, and so lead to a form of 'lock-in'; a stable configuration resistant to change (Cohen and Levinthal 1990).

According to Acrich (1992), technologies are also embedded with a form of path dependency, or a set of rules and restrictions for how they can be interacted with by users. Thus technologies "define a framework of action together with the actors and the space in which they are supposed to act." (Acrich 1992:208). She calls this a 'script', but for the sake of simplicity this paper will refer to the internet and digital products as embedded with path dependency. These factors, or cultural values, are strongly embedded in the nature of the internet medium, and restricts action in that it supports certain forms of products better than others. As users interact with products in the ways facilitated by the developers, some service platforms become more successful than others, gain larger momentum, and in turn this influences the development of future solutions. The internet, "because of its distributed, interactive, and many-to-many nature, has a greater neutrality [than traditional media]. A new set of values is arising as children begin to communicate, play, learn, work and think with the new media." (Tapscott 1998:9). Thus the internet as a technological system is "both socially constructed and society shaping." (Hughes in Bijker, Hughes, Pinch, eds. 1993:51).

Development Block

For its very existence an object relies on a network of firms, each dealing with different parts of production, distribution and sales. In the case of the internet, for example, there are both hardware and suppliers that lie behind the content we as users are able to access. This physical reality creates an external framework for service providers such as Facebook, Amazon and Spotify, and ultimately affects user access and usability. Dahmén (1991) defines this network as a development block, and propose that if the product has not 'settled' into a dominant design the development block is incomplete. Before the emerging development block that will surround a new product is complete, we can talk of *structural tension*. This means that there is something missing from the network; in the publishing sector this tension might be seen in the lack of an appropriate distribution system or a wavering between formats, and so we can say that the digital book at the moment exists in an *incomplete development block*. Established firms can thus find themselves in an incomplete development block where before they were in a stable network. This will, undoubtedly, be unsettling. Dahmén (1991) mention some options for managing this negative transformation pressure. One being that established firms could engage in entrepreneurial activities, another that they should attempt to understand and respond to the broader socioeconomic context of the development.

Dominant Design

> Utterback states that "great design captures the meaning of products, as well as function and customer needs. In design-inspired innovation, the balance among technology, market and meaning is unique. None can be neglected. Rather, balance results from a vision about a possible future" (Utterback et.al. 2006:6).

Although the development of any object is to some extent path dependent, several options for design are considered equal at the beginning of the design-process. There are no "one possible way or one best way of designing an artifact." (Pinch and Bijker in Bijker, Hughes, Pinch, eds. 1993:40), and according to Pinch and Bijker (in Bijker, Hughes, Pinch, eds. 1993), a technology passes through certain stages before it becomes stabilised in one form. Firstly there is the *experimental* stage, with a range of possible variations that are suited to the "conflicting technical requirements by different social groups" (Pinch and Bijker in Bijker, Hughes, Pinch, eds. 1993:35). This stage ends with the stabilisation of a few design options that each caters for a small range of user groups. The second *interpretation* stage sees solutions develop and a closure of controversies, and the technologies become gradually acceptable to larger user-groups. The final stage sees the majority of users taking up one design above the others, and the situation thus reaches *closure*. This winning design is what Pinch and Bijker (in Bijker, Hughes, Pinch eds. 1993) call the 'dominant design'.

In modern history, music as it was distributed through LPs, cassettes, CDs and MP3 files, did not find a dominant design for any protracted length of time. Newspapers, on the other hand, had reached closure in the broadsheet format until relatively recently. Books are still most popular in their age-old paper format, but the technological options are being developed at the moment, resulting in a fragmented array of products and devices; an incomplete development block.

Although it demands a lot of capital for firms to be researching options and developing ahead of the stabilisation of the development block, holding back from change has, according to Christensen (1997) rarely been a successful approach. He suggests that instead of waiting for demand to build, firms should constantly re-invent their products. Even (or perhaps especially) if it means investing in a less-performing product with lower margins. In this way the incomplete development block results in low current profits, or even losses, occurring simultaneously with promising prospects (Dahmén 1991).

Core Competence

Core competencies are, according to Prahalad and Hamel (1990), a firm's "collective knowledge about how to coordinate diverse production skills and technologies" (Prahalad and

Hamel 1990:1). The essence of the theory is that a company possesses a set of *core competences*, which can be used as a resource for developing innovations. This knowledge pool should be nurtured and strategically utilised, as it is the firms competitive edge; the way in which it differentiates itself. There are three tests that can be applied to identify a core competence according to Prahalad and Hamel. A core competence "provides potential access to a wide variety of markets", it "should make a significant contribution to the perceived consumer benefit of the end product", and it "should be difficult for competitors to imitate" (Prahalad and Hamel 1990:7).

The criticisms to this theory are multiple; for instance the importance given to top management and strategising (Mintzberg 1994), and the weak applicability to firms that are non-technological, overly dependent on one form of technology, or not multi-divisional. However, the change in mind-set from being 'developers of products' to tapping 'core competences' could be useful for the print media as they face the task of re-defining themselves. Tidd and Bessant (2009) write that:

> "faced with moving targets along several dimensions (markets, technologies, sources of competition, regulatory rules of the game) we have to be able to adapt and change our framework. This process of constant modification and development of our innovation capability - adding new elements, reinforcing existing ones and sometimes letting go of older and no longer appropriate ones - is the essence of what is called *'dynamic capability'*." (Tidd and Bessant 2009:591, emphasis in original text).

Absorptive capacity

The core competences that act as knowledge-sources for growth or innovation inside the firm can in this way be nurtured and extended, and become the source of new products and the foundation for adapting to opportunities. The ability to utilise this internal knowledge can also hinge on firms managing to de-link a capability from existing routines or products, in order to combine or link it to different things, thus creating a novel product. If the disruption is rooted in the firms' environment, the internal organisation will need to somehow absorb and implement external knowledge. Separating pilot projects from traditional practices through 'spin-outs' can reduce organisational resistance to new knowledge (Tidd and Bessant 2009). At the same time this division can be said to hinder diffusion of the acquired knowledge (McDermott and O'Connor 2002). Established firms will need to manage different knowledge pools carefully in order to balance these.

Teece, Pisano and Shuen (1997) suggest that flexibility of knowledge uptake is based on a firm's capability for re-structuring and adapting existing core competences. They call this 'competence stretching'. So where does a firm, for instance a book publisher, start if they face an external paradigm shift towards a technology they traditionally have no relationship with? Without core competences that overlap the new knowledge, it is suggested, they will not be capable of stretching in that direction (Teece, Pisano, Shuen 1997). Yet these authors do provide some normative advice for internal knowledge management. By diffusing knowledge through *interfacing* and *bridging*, and *translating* ideas into the firm through *de-coding*, companies build their absorptive capacities and are able to extend their core competences (Cohen and Levinthal 1990, Teece, Pisano, Shuen 1997).

> "It has become generally accepted that complimentary functions within the organisation ought to be tightly intermeshed, recognising that some amount of redundancy in expertise may be desirable to create what can be called cross-function absorptive capacities. Cross-function interfaces that affect organisational absorptive capacity and innovative performance include […] the relationships among the R&D, design, manufacturing, and marketing functions." (Cohen and Levinthal, 1990:134)

To prevent a lock-out from the incomplete developing block, the firm needs to somehow 'translate' information about the new paradigm into the organisational structure.

Henry Volans (in Naughton 12.06.11) state that Faber and Faber's partnership with the technology firm TouchPress (TouchPress previously published a landmark iPad book-app, The Elements) was a key reason for the success of the app The Waste Land (Naughton 12.06.11). Volans believe TouchPress has more of a publishing mindset than the average app developer or technology start-up, and that because of this knowledge-overlap the two firms understood each other well and managed to cooperate efficiently.

A managerial focus on skills acquisition, management of knowledge, know-how, and learning is, then, essential for extending and strengthening the paths available. Cohen and Levinthal (1990) suggest that choosing among and committing to long-term paths or trajectories of competence development is a valuable strategy. This path dependency is again here viewed as a source for good; it is what makes the company unique and its processes hard to copy. But the repercussions of future paths need to be carefully considered, and core competences should be built and developed as part of a long-term perspective (Teece, Pisano, Shuen 1997).

Disruptive Innovation

Christensen (1997), claim that firms that face a disruptive technology usually respond by "planning better, working harder, becoming more customer-driven, and taking a longer-term perspective–all [of which] *exacerbate* the problem. Sound execution, speed-to-market, total quality management, and process reengineering are similarly ineffective." (Christensen 1997:xxii, emphasis in the original). High investment costs and focus on quality take them away from what is a constantly developing market, and ultimately create a lock-in.

There are different theories on how firms can deal with disruptive innovation before it is too late, yet stay with the market. Some (Christensen 1997, Howe 2008, von Hippel 2005) advocate to research marginal user-groups. Von Hippel (2005) point to the lead-user as a good source for inspiration. He identifies the lead-users as

> "members of a user population having two distinguishing characteristics: (1) They are at the leading edge of an important market trend(s), and so are currently experiencing needs that will later be experienced by many users in that market. (2) They anticipate relatively high benefits from obtaining a solution to their needs, and so may innovate" (von Hippel 2005:22).

This group will take up technologies early and interact with them in a way that might predict future trends. One will find many lead users in 'protected markets' with good resources and specialised interests, such as hospitals or research institutions; von Hippel (2005) use examples such as surgeons adapting medical tools, and extreme-sports enthusiasts tailoring equipment, to illustrate his case. In this way the sourcing of inspiration from lead users might lead firms down a path of developing specialised and high-end products.

Yet disruptive innovation entails that established products are out-competed by cheaper, simpler, smaller and more convenient products according to Christensen (1997). Over time customers' taste often "evolves from functionality to reliability, then to convenience, and, ultimately, to price" (Christensen 1997:xxvii). As developers of products sufficiently satisfy one of these needs, the market demand or customers priorities and preferences shift (for instance from high quality DVDs to low-quality online streaming). Thus the continued development of the original attribute by the manufacturers create what Christensen calls a 'performance oversupply'. This performance oversupply creates an opportunity for the disruptive technology to take a share of the market. The disruptive technology has other attributes that are deemed more attractive by the users, such as availability.

> "Generally, once the performance level demanded of a particular attribute has been achieved, customers indicate their satiation by being less willing to pay a premium price for continued

> improvement in that attribute. Hence, performance oversupply triggers a shift in the basis of competition.” (Christensen 1997:215).

While large firms instead invest in improving existing products for the mainstream customer, the disruptive technology focuses on the small market segment that want these ‘easier’ products (Christensen 1997). Christensen also argue that for a large amount of the customers, until they realise the convenience of the alternative product, they are simply not interested. Thus the market for disruptive technologies seems to spring up from nowhere.

Internet Paradigm

These disruptive qualities are prominent in products that succeed on the internet. As a rule the internet paradigm create major disruptions to traditional business models and ways of working, as the possibilities it opens up for are as yet undiscovered, and social media is only in its infancy. At the same time there are patterns emerging, of which a common denominator is that the user plays a central role. Thus it is that when developing products for the internet-paradigm not only the format, but also its interaction with users and how it is sold becomes important. Indeed, the key to a successful product online is “availability, accessibility and usability” (Howkins in seminar 11.11.09) and “a sense of community” (Raccah in seminar 16.02.11) rather than quality or excellence. To earn money off this kind of product one will need volume, and so creating “visibility and traffic” (BokSkya 09.05.11) becomes essential.

According to Boczkowski (2004) there are three ways of translating a physical product to the internet; by repurposing, recombining, or recreating content. The practice of transferring text mostly unchanged from print to the internet (repurposing), creating specialised searches, archives and user profiles (recombining), and creating broader coverage with iterative development which publish 'live' updates, multimedia, and links to other content (recreating). The initial approaches of the newspaper industries show, according to

Boczkowski, a lack of understanding of the new media that is understandable. To use new technology to full effect, companies need to “create new knowledge, disseminate it widely throughout the organisation, and quickly embody it in new technologies and products” (Nonaka 1991:96). Content providers need to deal with, and learn about, all the main characteristics of the internet paradigm; cheaper and faster distribution, larger and possibly global audience, instant delivery, instant user feedback, and a large array of multimedia tools including links, feeds, messaging and video.

Online books is a 'process innovation' since both the ways in which books are created and how they are delivered changes (Tidd and Bessant 2009). According to Edquist (in Fagerberg, Mowery, Nelson 2005) this process innovation can be either organisational or technological. In the case of Norwegian Publishers the internet paradigm requires both; a technologically different product *and* organisational change. However, the complex processes of change involved would to some extent draw on all of Tidd and Bessant’s categories of innovation; product- process- position- and paradigm innovation. The copyright-industry’s challenges do not, in fact, fit very well into pre-defined categories. It is not a case of mature technologies and markets where the main issue would become “how to differentiate a product or service for competing offerings” (Tidd and Bessant 2009:434), nor is it an architectural innovation where an existing technology is applied to a new market. It is rather a case of large uncertainty where neither technologies, distribution forms, or markets are decided yet.

Another useful definition for creative industries is that between content and format. “Don’t confuse content and container; the way books have been bound has always been the same in our industry, but what you find inside of it has always differed widely, and its treatment will need to reflect this” (Gyldendal 04.07.11, translated from original). A knowledge strategy fully focused on technological development, on developing the container, misses major opportunities for re-invention of the product itself.

Customer-Oriented Product Development

Thus new formats challenge publishers to look at more than handling texts. What firms offer for sale "includes not only the generic product or service, but also how it is made available to the customer, in what form, when, under what conditions, and at what terms of trade" (Levitt 1960:50). The end user and their interaction with the product is central, as the web facilitates and invites "to think and act with other people, rather than for them […] the principle that we should think 'with' stands in stark contrast to the kind of outlook, organisation and culture spawned by mass production" (Leadbeater 2008:240).

Design discourse has long advocated this user-centric approach to product development, and academics and others writing of the internet paradigm have taken up a change in project management in their discussions of crowd sourcing and tailoring of products. "Deductive and inductive strategies do not exhaust the entire spectrum of approaches to activate customer knowledge; rather, they signify the poles of a continuum that is increasingly broadened by a class of new approaches." (Grabher, Ibert, Flohr 2008)

Publishing firms are, logically, set up to produce one-off products and sell it in to the booksellers. This production process remains, with a few exemptions, in place for digital products. Internet values would dictate a radically different approach, where the product is subject to continuous improvement rather than being a 'one-off', and direct contact with the users inform organisational processes. Digital products are in the software or service businesses developed accordingly; as a growing cluster of small implementations, utilising a platform for distribution, and users for direct feedback. This iterative product development ensures flexibility and facilitates a highly targeted approach.

> "Staged delivery is used only as a means of partitioning work so that some functionality can be delivered to customers early. By contrast, an iterative process is founded upon the belief that not

> everything can be known upfront — the staged delivery of the product actually helps determine the priorities for work to be done in subsequent stages.” (MacCormac 2001)

Such ‘evolutionary’ product development methods have proven successful with the internet medium, but go against the grain of any traditional view of what a ‘book’ is. For the publishing industry, Dominique Raccah suggest the following process:

> “Determine the target audience first, and define what value the app will deliver (will it solve a specific problem? Is it for entertainment?). What is the “why”? Then identify the revenue stream (if any). Finally, define functionality and determine the book content that will support it.” (Raccah in seminar 16.02.11).

This would be the opposite to the traditional, linear, view of research and product development, and in some ways go against the competence-centric approach. However it does not take complete advantage of the immediacy of the online medium. This might rather be seen as a gateway approach for firms that are new to the directness of the web - where a delicate balance should be struck between the sourcing of inspiration and dealing with forces that exist *outside* the firm, and the development of strengths that exist on the *inside*.

Digital Distribution

Iterative products are also suited to a budgeting and business model where payment is streamlined and the distribution network is large. This ensures access and availability for the end user, and so works well within the internet paradigm. Large products and cumulative constant growth draw users in, and sales are done directly to the customer, who spend money seamlessly through subscriptions or incremental payment. This business model works well with a ‘lock-in’ or market monopoly, cloud computing, streaming and the like, which ensures access, availability and usability.

For the music industry the internet paradigm changed user-habits in ways fundamentally disruptive to their business models, with the influx of file sharing and streaming resulting in a serious loss of revenues from traditional music formats such as CD's. The technology dissolved spatial and social boundaries, and 75% of twelve to seventeen year olds agree, in surveys made by Pew, that as "file-sharing is so easy to do, it's unrealistic to expect people not to do it" (McArdle 05.2010). This social element of the new patterns of consumption mean that users "categorise themselves into useful demographics based on media consumption, [and] so music-oriented sites can offer advertisers more value than the ones where all people do is talk" (van Buskirk 09.04.09). If this is so, why did the uptake of the internet have such a negative impact on the music business?

The consumption of single tracks and streaming services, rather than one-off sales of whole records, led the industry to consider the market as disrupted. In essence the internet facilitated the disappearance of the record as a physical product, and the industry responded by setting unit prices high and enforcing copyright stringently. "Content owners, particularly in the United States, have proved very resistant to the idea of free streaming, despite an enormous amount of enthusiasm for the concept from the general public" (Geere 04.05.11). The result has been that the labels have failed to support and take advantage of user-friendly systems that work with, rather than against, the internet-paradigm. Encouraging and facilitating subscription-based or incremental payment models, on the other hand, would have utilised the web and perhaps boosted revenues (Feldmann 2002). This trend of resisting change slowed the growth of services like iTunes and Spotify, and forced music consumers onto illegal platforms, which again led to a serious loss of revenue for the industry overall.

> "Every label is a venture capitalist, but now, one super-hit — like a Lady Gaga — doesn't even pay for two stiffs, after they cover overhead, marketing and everything else. The industry is risk-averse now, and rightfully so [...] the whole industry is thinking "how do I keep up with

technology?” when in the old days, we used to focus on “What’s the coolest sounding music?” (Silverman in van Buskirk 09.07.10).

Understanding user-behaviour online, then, becomes essential for the development of an appropriate payment- and business-model.

Why should these theories be applied to the publishing industry?

How should the book publishing industry take on board any of these lessons? Why should they? Sales figures for books, particularly in Norway, are high and stable. According to the latest official data available (The Booksurvey 2010) a whopping 93% of the Norwegian population read one or more books in 2009, and the amount of people that read books have remained high and stable over the last decade; 40% of the population read more than ten books a year, and 13% more than thirty. In addition, 85% of customers reported that they bought one or more books in a physical bookstore, and only 29% said the same of online shops. This, however, might change dramatically with the increased uptake of eReading devices such as the iPad. Aftenposten estimates that there is above 250.000 eReading devices in Norway today (Bjørkeng 03.01.11), and Accenture predict that Norwegians will own 1 million tablets by 2014 (Bakken 25.11.10). This added to the amount of smart-phones taken up by the population should create a significant market for online services. Publishers and bookstores have responded by developing apps such as *Libris.no* (Jappée 09.06.11) and *Boating Licence* (product example 23.08.11), but with limited uptake so far.

The values inherent in a book, then, are unquestionable and by and large prized by the population. Yet consider what happened to some of the books that used to be in every home; the encyclopaedias, road maps, handbooks on ‘how to knit’ or ‘how to master Microsoft Word’. Many products that used to be bound up in book-form have found that this embodiment was only accidental. The binding of these products in the cover of a book was not a true realisation of their nature, but a format born out of convenience and restriction. The true purpose and meaning of a map is better expressed through a GPS device or a mobile phone than a book. The convenience of Wikipedia is hard to equal (Gyldendal 06.06.11). What other products are still hiding under a false skin? Will there be a fragmentation of formats to suit different aspects of publishers' content? "Historically, for example, a natural history guidebook looks quite similar to a novel, which is an accident of printing. Very soon those things will absolutely diverge massively" (Volans in Naughton 12.06.11).

So, the publishing industry is one in which the different pieces are set in motion. How the development block will resolve itself it yet to see, but ideas from network-, management- and internet theory such as core competences (Prahalad and Hamel 1990), dynamic capabilities (Teece, Pisano, Shuen 1997) transformation pressure (Dahmén 1991), disruptive innovation (Christensen 1997), and user-centric product development (Levitt 1960), together create a framework for understanding and guiding strategies for digitalisation.

Aims and Objectives

As the theory chapter has shown, the current situation is complex and uncertain for copyright industries. This background of fundamental disruption informs the overall research objective, which is to investigate in what way traditional firms relate to the internet paradigm. This has been researched by looking at how content-creating businesses think of and respond to digitalisation, the internet medium, and high uncertainty. The aim is rather broad, and can be operationalized into one research question with three sub-questions:

<u>How does the Norwegian publishing industry relate to digitalisation?</u>

- How does the industry respond to the developing market?
- What do Gyldendal, Aschehoug and CappelenDamm concentrate on when developing digital products?
- What are possible hindrances to the stabilisation of the current situation?

While this thesis will not pretend to offer any final solutions to these complex issues, it will explore the ways in which the businesses featured in the study have adopted and developed to meet the challenges of the internet paradigm. A case study of the Norwegian publishing industry can in this way show how firms deal with a disruptive technology, market shift and innovative product-development.

Existing research on the publishing industry in Norway is limited, and publications have mostly been based on economics or culture-studies. This has led to a one-sided view of the industry as a cultural institution, to be either applauded or criticised for its monopolistic, protectionist and traditionalist tendencies. This black and white discourse has also been largely visible in media's representations of the industry. To present a more nuanced picture is therefore an objective of this text.

Method

In order to gain a good empirical foundation for answering the research questions, a case study of Norway's largest publishers was deemed appropriate. The research is based on twelve interviews, industry reports and evaluations, newspaper articles, other material available on the web, and attending a wide range of industry seminars. One pilot interview was done to gain insight into the field. Interviews with selective, representational objects were chosen for the main data-collection.

Research Objects

Choosing three main research objects (Gyldendal, Aschehoug and CappelenDamm), created a better foundation for investigating the industry than a comparative analysis of two firms would have, yet was feasible within the given timeframe. The interviewees were primarily chosen based on the inputs from the pilot interview and the initial research. From this individuals were found that could, in unison, be said to represent the firms and overall industry. Individuals from both education and general literature departments were picked from the three main cases. This ensured a nuanced view of challenges in the organisations, with the markets, and of comparative elements between the firms. These interviews were, on average, 45 minutes long and done face-to-face. The interviewees were all in positions that enabled them to talk about digital strategies.

An in-depth and semi-structured interview format was chosen, as it can reveal "facts of a matter as well as [interviewees] opinions about events" (Yin 2009:107). This form of research opens up for response bias or an inherent bias in the questions, factual inaccuracies due to poor memories, or reflexivity by the interview-object, where they mirror the feelings of the researcher (Yin 2009). Still, meeting with interview objects in their environment and using a semi-structured interview form allows for excellent qualitative observations. It also creates a nuanced picture of thoughts, ideas and attitudes that can be based on language and engagement as well as what is actually said. Because of these points the interview guide was thoroughly worked through in advance to eliminate any bias, and notes were taken directly after each meeting to sum up and document impressions. The research objects later validated transcripts of the relevant parts of the interviews. This minimises factual mistakes, and ensures that all the collected data is used with the consent and knowledge of the participants.

The main research objects (Gyldendal, Aschehoug and CappelenDamm) are, with the exception of Schibsted, the biggest publishing houses in Norway. They all are founded and run as book publishers, and handle both general and educational publishing. Schibsted have not been included in this study because they, as a media-conglomerate investing in TV, film and newspapers with a relatively small publishing unit focused on commercial publishing and magazines (Andreassen 2006), are not comparable.

A host of supporting actors gave a single interview each; Samlaget, a medium-sized publishing house that is still comparable to the main research objects, was chosen to balance the picture made by the three large publishers, and the Booksellers Union [Bokhandlerforeningen] provided an alternative point of view. These interviews were about thirty minutes long, and also conducted face to face. Short e-mail and phone interviews were also done; with the Norwegian Authors Union [Den Norske Forfatterforening], the Norwegian Publishers Association [Forleggerforeningen], and hardware-producer Sony Corporation. These controlled for bias and provided other perspectives and alternative points of view.

In the supporting research sources from different sections of the industry, who therefore have different insights into the topic, were deliberately chosen. The findings of the thesis are, because of this, broader than what they would have been had a single case study or a more limited pool of informants provided the empirical material. In particular the interview with

Booksellers Union uncovered a whole host of new, interconnected, issues. Unfortunately these insights, by and large, had to be included only in a contextualising way as they opened up for other research questions and a different avenue of research. At the same time these alternative perspectives informed subsequent research, and created a more solid foundation for the discussion.

The interviews conducted and the opinions presented in the findings, as far as can be judged without supporting studies, can be said to give a fair picture of the state of Norwegian publishing. This is supported by the research reaching a saturation point; by the end of the process, interview objects were reiterating and supporting previous findings rather than adding new information. Based on this one can assume that the data collected, although not exhaustive, represents the population of the industry today.

Data Analysis

Following the approach of Miles and Hubermans (1994 in Punch 2005) of data reduction, data display, and drawing and verifying conclusions, was a clarifying way of working with the data. To start the process of analysis and reflection, Miles and Hubermans suggest making a visual overview of the data. In this case two data displays were created (fig.1 and fig.2 in the Appendix).

Fig.1 was filled in directly after the interviews, and thus instigated a text analysis. According to Jørgensen and Phillips (1999), the premise of text (or discourse) analysis is the belief that language is shaped by the social and cultural background of the subject. The interviews here brought out differences and similarities in beliefs and language in the subjects. A text analysis can then be said to have been conducted, both while translating the interviews from Norwegian to English, and by sorting and entering the data into the visual display. The different publishers' representations of themselves, for instance, promote their idea of a set identity through phrases such as "creators of high quality content" or "commercial flair". One of the questions in the interview guide was "where do you look for inspiration when developing new products – users, competing products, or other places?" Distilling and interpreting the answer to this gives an impression of the firm's sources of innovation; are they market-pull or technology-push oriented? Do they look at users? If so, average or marginalised groups? Are they industry- or medium centric in their research? Of course, any conclusions will not be drawn only from the answer to this single question, but also be contextualised by the rest of the conversation. Conclusions drawn from this research can therefore only reasonably expect to comment on generalities; the outlook of the different publishers, and the similarities and differences between them. The display in this way simplify comparison and emphasise topics discussed in the thesis, as it showcases how the units of analysis relate to the different issues, and highlight similarities and differences between departments and firms. This representation has therefore remained valuable throughout the project.

Fig.2 was created later in the process, as a tool for the process of analysis. There are possible weaknesses associated with this approach; firstly the original data collection was qualitative rather than quantitative. Secondly it is impossible to fit nuanced observations into the black and white categories as is here represented, with no sliding scale. Because of this the possibilities of error are big, and the opinions come across as coarse and sweeping. However this figure is not supposed to be viewed as a direct visualisation of data, and was not used as such. It is, rather, a visual aid for the sorting of a general impression of the data across the industry.

Case Study

This chapter will present, firstly, the historical context of the Norwegian publishing industry, and then the findings of the case study. The main findings of the study will then be discussed in relation to theory and context, and together this answers the research question; how the Norwegian publishing industry relates to digitalisation. Possible implications of these findings are detailed at the end of the chapter.

Background

The global book industry is built on rights management. The originating publisher (in the simplest scenario) owns all copyrights for a project, and sell these rights on to publishers in other geographic zones or languages. Titles can, for instance, be bought to include all English-speaking markets, or for distribution in a single country or continent. The single biggest market globally is the US, and the German-, Asian- and Spanish-language markets are also lucrative. The largest publishers in the world, such as Pearson, Penguin, Hachette and HarperCollins (Treanor 09.10.09), have offices in several places globally. They therefore manage their own rights in large parts of the world, as well as purchase and translate titles from smaller publishers.

Traditionally the role of the book publisher has been to oversee the production of books, from manuscript to printed product. Core competences are therefore often centred in the preparation of content, in *editorial* and *curation* expertise, *rights* management, *marketing* (for general titles), and *pedagogics* (for education). In the case of fact-titles, the publisher has also acted as a validator or fact-checker, and brands such as the ‘Oxford Dictionary’ have built a reputation for reliability and accuracy. On the fiction side, an important aspect of publishing has been the recognition of unknown authors and subsequent refining and presentation of them onto the market. This has become increasingly competitive over the last decades, as the conglomerates have grown and acquired more power. “During this time book publishing has deviated from its true nature by assuming, under duress from unfavourable market conditions and the misconceptions of remote managers, the posture of conventional business” (Epstein 2002:4). Today there is large financial incentive for developing a best-seller, and the revenue created by selling movie rights and additional products linked to a character or a star author (such as Moomin or Stephen King) can be enormous. Marketing through channels such as endorsement by Operah Winfrey (leading to the ‘Operah effect’) or a New York Times review is therefore highly competitive and beneficial (Howkins in seminar 11.11.09).

In addition to this, book publishers have traditionally invested money in products before they yield a profit, and so have had a risk-taking factor. Last but not least there is a marketing element to the production of books; the choice of title and cover illustration for the work, the creation of a ‘brand’ author, and the launch of a title onto the market. These marketing skills are, perhaps, not quite as embedded in the publishers’ role as to that of the bookseller. The booksellers are traditionally the ones in direct contact with, and with knowledge of, the end customer. This results in a slight shift of power over to the booksellers, and the trend in the last fifteen years has again been that publishers to an increasing degree have to ‘sell in’ their titles to the booksellers who, through marketing and visibility, decide what books will become best-sellers (Andreassen 2006, Howkins in seminar 11.11.09). The publishers therefore often confer with the booksellers before, for instance, choosing a jacket for an important title. In this way the booksellers act as mediators and instigators of trends.

In Norway the booksellers and publishers have a longstanding, good relationship. Towards the end of the 20th century the industry was showing signs of becoming de-nationalised, with Swedish Bonnier buying Cappelen in 1989, and foreign investors increasingly penetrating the market. To protect national control the big publishing houses subsequently bought up a large number of both booksellers and smaller publishers, and the media company Schibsted merged their Norwegian publishing units into Schibsted Forlagene (Andreassen 2006:149,165). The latest development in this respect has been the merging of Cappelen and Damm in 2007. The result is a situation where over 90% of Norwegian-language titles are published by the four biggest publishers; Gyldendal, Aschehoug, Schibsted and CappelenDamm. These publishers also control the majority of bookclubs and bookseller chains (Andreassen 2006). While the media, politicians and others have voiced concern for the effects of this, Norwegian publishers are largely unified in the belief that this centralisation of power strengthens and benefits the industry (Pressrelease 12.03.10, The Bookagreement 2009 14.03.11).

The Norwegian publishing industry is in many ways untypical; Norwegian is a small language with a (globally speaking) minuscule market. However, after a long process of gaining national independence, building a national school system, and promoting Norwegian culture and literature, the prevailing norm from the late 19th century onwards has been in favour of strong regulatory protection of the native language. As the Norwegian market grew, titles produced increased and in 1875 the four big Norwegian publishers (Aschehoug, Cappelen, Malling and Cammermeyer) created what is today the Norwegian Publishers Association (Den Norske Forleggerforening). In 1925 the Norwegian wing of the Danish publisher Gyldendal and with it the works of the 'four big' Norwegian authors was bought 'home' through a massive collection from authors and the general public (Andreassen 2006). But it was only in the second half of 20th century that political incentives such as fixed prices [fastpris], guaranteed sales [innkjøpsordninger] and VAT-exemption were implemented. These policies have since supported the creation of strong national networks and a sense of cultural responsibility. The industry has itself, through its unions and members, agreed to support regulatory rules that to some extent prohibit commercialisation and encourage businesses to focus on quality and cultural value. This agreement springs from "social-democratic ideas of how to bring quality literature to the people" (Andreassen 2006:551, translated from original).

> "Norway is a small language area under constant pressure. To strengthen Norwegian language and continue the support of Norwegian literature, it is important to maintain good national frameworks for books and readers. Main instruments have been VAT exemption, guaranteed sales, and The Bookagreement 2009 with fixed prices. Norwegian eBooks will obviously require similar conditions to compete in an increasingly internationalised reality." (Pressrelease 12.03.10, translated from original)

Since 2007 the Norwegian Publishers Association, Booksellers Union, and to some degree Norwegian Authors Union, have been working together on handling the implications of digitalisation (Booksellers Union 30.05.11). As a first step the format ePub was taken up as an industry standard, and later the industry decided in a joint investment in a national distribution network for digital books. BokSkya, which was launched April 4th 2011, seek to be a hosting service and access platform for all Norwegian language eBooks (BokSkya product example 2011). Gyldendal, Aschehoug and CappelenDamm are shareholders of BokSkya with 15%, 15%, and 10% ownership respectively. The implementation of such a database will ensure that distribution costs, when the system is in place, become negligible with increased volume (BokSkya 09.05.11). Without this stabilisation the incubation process of Norwegian language eBooks might have been much longer.

How the individual publishers relate to digitalisation

Organisational and strategic management decide the knowledge-absorption involved in establishing firm-specific digital products. This affects the firms' path dependencies, and here there can be observed clear differences between the publishing agencies.

Aschehoug is a traditional publishing house in the sense that it has strong cultural values tied to high quality and good language. They argue strongly for VAT-exemption and keeping prices high in order to accommodate thorough development of books, and state a commitment to high-quality content and safeguarding of national cultural inheritance.

> "Strategically we expect the paper book to have a strong position for many years to come. The economic challenge is that we will have to, even though we have small margins in our industry to start with, spread ourselves even thinner as each book take on several formats." (Aschehoug 27.05.11, translated from original)

While they have established a digital team that work across the organisation in a 'decision-making matrix' (where all relevant departments are involved at the beginning of each digital project), there is a significant divide between general and educational departments. Digital fiction titles are published as plain eBooks, and the focus on USPs (unique sales points) is retained, while the educational department work directly with schools and pupils to develop advanced teaching tools. An interesting project is Pageturner (product example 23.08.11), a web application with strong commercial potential both globally and locally. However, the publisher found it difficult to trade with untraditional markets, and have for now reverted to selling this product to educational establishments.

CappelenDamm is a more commercial publisher with a breadth of general literature and trade titles, and "often use market research to develop product strategy" (CappelenDamm 28.06.11, translated from original). Their general publishing unit is larger than Gyldendal and Aschehoug's general literature departments put together, and they are owned by the media groups Bonnier and Egmont (50% each). CappelenDamm started selling their current line of eBooks in 2008, before the rest of the industry. They therefore have an established digital competence, and are focusing on practical details of building an industrialised workflow, streamlining the production line of digital formats to be as efficient as possible. Editors are being trained to retain control of all projects, and gain the technical know-how to work in digital formats as they would with files for paper books. CappelenDamm have practical implications in mind also when choosing products to develop, dividing between system-development and product-development. While system-development (digital features and architecture) is expensive and laborious, product-development (styling and content) fit into and stretch already developed functionalities.

> "for instance built into this app [Boating Licence] is a kind of quiz engine that can be used in all sorts of products going forward. We must look at the features that allow for industrialised production, for large operations - it is essential." (CappelenDamm 28.06.11, translated from original)

Gyldendal has a separate digital production unit working across departments, but also digital editors and business-developers that work within editorial teams and with each other to make sure content and formats reach their potential. Their products utilise some of the socio-cultural values of the internet paradigm, an example of this is Salaby (product example 23.08.11): a platform for learning that allows customisation for, and tracking and monitoring of, individual students. Through iterative project development, building of alliances and alternative sales models, Gyldendal shows an understanding of the internet paradigm somewhat ahead of the rest of the actors. "The important thing for us is to harness the power of the digital when we first are using it. It is completely pointless to just duplicate a book" (Gyldendal 04.07.11, translated from original). The publisher works with the separation of terms such as *platform* and *tool*, where digital products can be developed as either, and *content* and *container*, where the focus of their business should be on developing content and then finding appropriate formats to convey it, rather than the other way around. Some of their projects are run iteratively; utilising direct user feedback to develop the product over time. This prevents projects from seeming too large practically and budget-wise.

The overall impression is that each of the publishers have a clear identity and culture. While at risk of oversimplifying, one can say that Aschehoug show signs of being market-centric, focusing on USPs (unique sales points) and testing environments, CappelenDamm product-centric, implementing elaborate digital workflows, and Gyldendal user-centric, as they concentrate on usability and harvesting end-user knowledge. In this way the publishers express path dependencies in their practices and strategies. These existing firm-specific capabilities influence the foundation for future products, even where technical competences will need to be built. At the same time the firms have clear similarities; they are closely linked through industry agreements such as BokSkya, unions and associations, and the smallness of the market. One can identify the situation at the moment as balanced between market-pull and technology-push, where uncertainty of exact paths and future formats generally limit the possibilities for strategising (Feldmann 2002). The realisation of this uncertainty is mirrored in the publishing industry as it appears at the moment, and creates the foundation of the findings of this thesis.

Main findings

The main findings of this study are;

1) <u>Publishers are proactively investing in a lock-in</u>

> By building a solid industry network to protect the distribution chain and the national network, the publishers create a barrier to entry for firms outside the established network, and protect the

Norwegian market from globalised actors. However, this network might ultimately act as a barrier to innovation as it limits flexibility and increases path dependency.

2) <u>The educational system is acting as a lead-user</u>

a) There is a divergence of formats. Some digital products are highly interactive and feature complex and multi-layered content, others are based on plain text with very limited functionality.

b) The educational market is acting as a lead-user consuming innovative products. This creates a divergence of the general and educational markets.

c) The publishers' competencies are affected by their position drawing on both protectionist and commercial values, and the varying aims of departments.

3) <u>There is a lack of internal knowledge diffusion</u>

a) Divergence of product formats makes knowledge diffusion within the companies difficult.

b) The publishers have created a path dependency towards high-end products. This might leave publishers vulnerable to disruptive technologies.

4) <u>Publishers do not take full advantage of the new medium</u>

a) Publishers still have some way to go before they can fully realise the potential of the internet paradigm through business models and sales structures.

b) Existing industry network hinders adoption of internet values in product formats and project management strategies.

In the following section, these findings will be elaborated upon in more detail.

1) How publishers understand and relate to the current situation

Norwegian publishers are, on the whole, united behind the standardisation of ePub and a national network for distribution. They have come together in lobbying for VAT exemption, and have an aggressive and explorative attitude towards digitalisation. As content providers the publishers might very well have focused on building formats and products, and expected booksellers to take the role of figuring out the best way of distributing, standardising and selling books online. Instead they have, through BokSkya and the Norwegian Publishers Association, taken all but final sales into their own hands. This persisting unity of the industry ensures that the publishers (especially as relating to fiction) generally project the same view on digitalisation. The incubation process might also have been longer for Norwegian eBooks without the establishment of this network.

While industry agreements such as The Bookagreement 2009 (14.03.11) attempt to stabilise the situation, actors are aware that the 'pieces are put into play', and that digitalisation has not reached a breaking point yet. This is indicative of an incomplete development block, where elements such as a dominant design and appropriate distribution methods are 'missing' – resulting in transformation pressure. The publishers perceive this, and accordingly look at product development as a response to external pressure by global actors and developing technology. They argue that this is a technology-push approach, as only a small margin of users has taken up the technology so far. A counter-argument to this would be that users have acquired the technology and are, increasingly, purchasing foreign-language titles. As the uptake of eReading devices has increased in the last two years, so has eBook purchasing habits. With only 1350 Norwegian language titles now available through BokSkya, compared to 950 000 English language titles on Amazon, readers are by and large converting to English language titles (Robertsen in seminar 08.06.11). There is, then, a market-pull for Norwegian eBooks that is not at the moment being catered for.

Industry alliances push formats and frameworks that will protect the national language and culture, and accommodate market-pull. The security provided by this stabilisation has facilitated a standardisation of workflows, a unified way of thinking about digital development, and helped publishers move forward with uptake of knowledge, streamlining production, and preparing material. This distribution network, if it works, will go a long way towards protecting fiction literature and national language against globalisation. Norway is in a leading position globally in this respect. At the same time a lock-in makes the industry vulnerable to disruptive innovation and further technological change.

Innovation theory (Tidd and Bessant 2009, Dahmén 1991) suggests that a constant assessment of competences, capabilities and the market will help build the flexibility necessary to position oneself advantageously in an incomplete development block. The publishers should, then, look more closely at the values embedded in their practices and how to retain and develop these in digital products.

2 a) There is a divergence of product formats

In digitalising the book, the industry currently has a wide variety of formats to deal with. For fiction, adopting the ePub format as a standard for eBooks aided purposeful progress in terms of distribution and sales-systems. At the same time the ePub format (Sande 31.01.10) is text based, and so work best for texts with few functionality features. This means that it is not necessarily an ultimate solution. Rather, one can put ePub-formatted products in the category of 'repurposed content', which Boczkowski (2004) define as content providers' first level of interaction with the internet-paradigm. Taking on board elements of the technology would, in comparison, lead firms to be combining and recreating products. This has happened in high-end products such as the educational departments' whiteboard teaching tools (Historic Digital Atlas product example 20.08.11), learning platforms (Salaby product example 23.08.11), and web applications (Pageturner product example 23.08.11). These truly start to push the boundaries of what a publication is, and how users interact with it.

So while the development of any standardisation helps publishers move forward with uptake of knowledge, streamlining production and preparing material, it does not safeguard the industry from further technological development. Online platforms, while currently lacking a distribution system, might provide better foundations for innovative products. In educational publishing interactive formats have been established for a while. For fiction new platforms such as Pottermore (product example 10.08.11) prove hugely challenging and profitable. The perception of this systemic divergence might in part explain any lack of commitment to the eBook format on their part.

The publishers' long-term strategies do take a diverging product line into account, and several firms advocate distinguishing clearly between eBooks and enhanced eBooks for both practical and policy reasons (Gyldendal 06.06.11, Aschehoug 27.05.11).

2 b) Markets are diverging

The publishers' markets are diverging at the moment, with some user groups requiring minimal attention, and others, through initiating change or utilising tailoring options, directly influencing the development of products. Book publishers have traditionally kept educational and general departments separate, as they possess different editorial competences and sales routines. Today educational departments have come significantly further in developing digital products and strategies. Strong competition, a steadily developing market, and products with a history of digital supplements, have all been factors in this trend. However the pooling of technical resources in one area has led to a specialisation of formats and competence in educational products, which is not easily dissolved into other departments and general product development.

There has because of this become a significant gap not only between formats for different technological platforms for different user groups, but also between the quality and intricacy of end products. Publications such as Salaby (product example 23.08.11) and Historic Digital Atlas (product example 20.08.11) stand in marked contrast to the established text-based ePub format.

The complexity of the educational products has contributed to developing this market beyond that of general literature – creating users that have gained technical know-how and are used to elaborate products. The percentage of teachers using digital resources is growing, with the main hindrances being lack of digital content or access to equipment. “The educational sector is a particular market; there is a lag in the system of schools, they are slow on the uptake. But once they are committed, there is a lot of funding available” (CappelenDamm 28.06.11, translated from original). The teachers with best access and greatest interest, currently 38-62% in primary and upper secondary education, use digital learning resources daily or weekly (Digital Teaching Tool Survey 11.03.11).

One can, then, identify the Norwegian school system as a lead user, at least in a global setting. Good national network grids, large IT-budgets, government incentives and extensive training has pushed against the more conservative values of teachers, and shoehorned advanced technology (such as whiteboards, where teachers control the interactive screen) into the classrooms. This has created a protected market and encouraged schools to adopt technology, with the result that the publishers develop educational pilot products that are elaborate, innovative, and potentially large revenue-creators.

This market divergence both mirror and enhance the differences between the general and educational departments as they stand today.

2 c) Divergent aims are affecting strategies

The publishers' position between protectionist and commercial aims become a central point in understanding how they relate to the internet paradigm. By agreeing to protect the Norwegian culture and ensuring a broad range of titles, and at the same time operating as competitive firms, the publishers are placing themselves in a difficult managerial position. This balance between commercial and protectionist paradigms is difficult to integrate into long term strategies, and while it is in the best interest of both agendas to cater to the market, a purely commercial outlook might pool more resources into experimental formats and invest in alternative business models. Novel fiction formats as shown in iDracula's broken narrative formats (product example 10.08.11), or Japanese mobile phone novels (Krajeski 19.12.08), are unlikely to be developed by firms with traditionalist views on literature. This divergence of aims might explain why general literature titles are lagging behind educational in the adoption of internet paradigm values. Open innovation theory suggest that by creating spin-out departments, companies can divorce innovative projects from conflicting managerial strategies, and enable retention and capitalisation of new knowledge (Tidd and Bessant 2009). This could be a way to bypass a divergence of aims. However other authors claim that general flexibility will decrease by divorcing pilot projects from the workflow, as competences become more isolated and specialised (McDermott and O'Connor 2002). In either case, the separation and specialisation of certain competence pools away from other departments will affect how knowledge is diffused in the rest of the organisation, and so should be carefully considered.

3 a) Lack of knowledge diffusion

Due to the lead-user role of the educational market, and their relatively protected market conditions, the publishers strategically intend to build technical know-how in the educational area first, to later 'translate' the knowledge gained into other departments. However, this diffusion of knowledge into departments with different skillsets has proven to be difficult.

> "We have built something called a Digital Forum that will work across the house, to gain an appropriate competence diffusion. This sounds great, but in reality life is too busy, those with expertise are fully occupied with their own projects, and people [in the general literature department] who request knowledge must come with clear demands to get a response. So we have some challenges with respect to being targeted and clear, and get this to work properly."
> (Aschehoug 27.05.11, translated from original)

The firms have implemented different systems for knowledge diffusion, but the absorptive capacities are limited. Nor is it necessarily desirable for every department or employee to become equally knowledgeable; editors must have "enough knowledge to envisage trans-medium projects, but they must be protected for the technical details so that it does not interfere with the essence of what they are doing" (Gyldendal 04.07.11, translated from original).

3 b) Core competences have created a path dependency

The publishers show path dependency towards specialisation and development of high quality products. Where the publishers invest in new innovative products, these are run as increasingly intricate pilot projects with the object to gather new experience, market knowledge and technical know-how. According to Christensen (1997), established firms are prompted by high margins to invest in continuous quality improvement. They source inspiration from lead-users, and develop specialised products. It stands to reason that publishers follow this pattern in their pilot projects, and naturally gravitate towards high-end product development. In addition, the publishers' core competences; *editorial* and *curation* expertise, *content* or *rights* management, *marketing* and *product visibility* (for general titles), and *pedagogics* (for education), are appropriate for specialisation and high-end products. All of the informants agree that these competencies will be relevant in the future, indeed perhaps become more important and more visible. As pilot projects cumulate, then, a path dependency of both formats and content is created.

This development of high-end products can put firms at risk of disruptive innovations (Christensen 1997). The investments in BokSkya and ePub create cheaper, simpler, smaller and more convenient products. The ePub format could in this case be described as convenient but it hardly embraces the idea of a disruptive technology, as the novel remains a valuable and large product. If they want to develop a disruptive format, publishers will need to look hard at the inherent values of their products (currently described as *tailored*, *quality-assured*, *curated* and *market-oriented* content) and imagine a future where these could be distilled into the cheapest, smallest and most convenient product possible.

However, existing core competences and path dependencies suggest the publishers are more likely to excel at high-quality innovative efforts.

4 a) Lack of understanding of internet values in sales and distribution

Publishers have retained their overall organisational structures, and are not as yet widely implementing internet values in business models and sales structures. Sales are still done through traditional networks or distribution, where they are focusing on local markets.

The globalised, immediate and social nature of the internet are fundamentally disruptive elements to an industry who is set up to produce one-off products and trade it within a business network. At the same time, some products are starting to take on board limited elements; for instance in payment through subscription, free ‘tasters’ to gain volume, access on different technological devices, or iterative development.

As users flock to large, monopolistic brands for ease and availability, so these brands (such as Amazon), through volume, are able to offer low prices. Norwegian publishers have, logically, problems getting volume and providing content cheap enough for this system. “We feel it is important to send the signal that things will not be free because there are online, we must show that quality costs, and develop a willingness to pay.” (Aschehoug 15.06.11, translated from original). Since “it costs a lot for publishers to digitise we must have a best seller just in order to reach a number that is profitable” (CappelenDamm 30.05.11, translated from original). Global actors might have taken their que from Henry Ford: “we first reduce the price to the point where we believe more sales will result. Then we go ahead and try to make the prices. We do not bother about the costs.” (Ford in Levitt 1960:51). If the Norwegian market is not big enough for this strategy, the internet does provide instant global access and endless possibilities. But the protectionist aspect of the Norwegian publishing industry, together with organisational and knowledge path dependencies, prevents the exploration of international sales models.

An example of a product that has gained volume is the teaching-platform Salaby; the publishers here “experimented with giving away free access for one year - this created extremely heavy traffic” (Gyldendal 04.07.11, translated from original). The publishers then implemented a paywall so schools had to purchase access. The paywall was put up October 2010, and “this summer [2011] we passed 90 000 students – we believe we will have captured 50% of the market by 2012” (Gyldendal 04.07.11, translated from original). The sales models that work best for book Apps are, according to Raccah (in seminar 16.02.11) subscription or serial-based - where the story develops over time and users can pay in stages. These draw users in, and involving users is, according to her, critical for creating enthusiasm and thus both volume and willingness to pay. Subscription models have also worked well for some Norwegian publishers.

> "we see that the licensing scheme we implemented with annual renewal works well. This model means we must commit to a more continuos improvement [of the product], but that we earn more evenly. In a public school context, where students no longer buy the books themselves, it is possible that in the long term this model will prove more profitable than selling textbooks to schools that they keep for several years." (Aschehoug 15.06.11, translated from original)

Until the iPad hit the market there was a minuscule audience for digital books in Norway, and the publishers argue that there still is only a very modest market-pull in place. But with the uptake of eReading devices and establishment of the AppStore as a distribution channel, a demand for digital products did present itself. And as eReading devices spread further, the interest in digital books will increase. The paper format is still central in the educational markets as well, but digital products are on the rise. In 2010, around 35% of Aschehoug's sold upper secondary school textbooks were digital. This is a sharp growth from a couple of years ago when there were only around 2-3% (Aschehoug 15.06.11).

One reason why publishers feel there is limited market-pull is because they are focused on the national market; tailoring products to small customer groups, ensuring a broad spectrum of titles, distributing through the national and established networks, and protecting the Norwegian language. They do not take full advantage of the universal and social nature of the internet and the digital product, and this hinders the building of high traffic and volume.

Not only formats but also ways of distributing can prove disruptive to the market, as exemplified in the music industry. As music producers attempted to hinder services like Spotify and iTunes from flourishing, users found alternative, often illegal, ways of consuming content. And the continued consumption of single tracks and streaming services, rather than one-off sales of whole records, is still affecting the music industry's bottom line today.

A proactive method would be to instigate sales directly to users by using platforms and open formats. As the bookseller traditionally has been the link between the end users and product for the publishers, this might be difficult. Online this mediator could easily be bypassed, yet the insight and expertise found in this link becomes crucial, as products need volume and traffic to thrive. Aschehoug's product Pageturner (product example 23.08.11) was developed as a platform where licenses for access could be purchased directly by the user. The publisher launched and tested the product firstly in the private business sector. They found the uptake extremely slow, however, and have reverted to selling it into schools in order to gain momentum and publicity. The product is extremely commercial, and might also "be launched globally. But we cannot distribute internationally, and must in that event sell it on through our publishing contacts in Europe." (Aschehoug 15.06.11, translated from original).

A competence-stretching needs to happen before the firms are able to successfully sell products directly to users. Marketing expertise is normally in the hands of the booksellers, both locally and globally, and the question becomes whether this is competence publishers should acquire. "It takes time and money to sell to foreign countries, to develop new business forms, at the same time it may be silly not to. The question becomes: is this what we should be concentrating on?" (Gyldendal 04.07.11, translated from original).

The publishers need to consider whether it would be worthwhile to give a significant amount of resources up to developing business-to-user sales models, or whether current product formats could be suitable if there is a radical shift in distribution and consumption.

4 b) Understanding how the internet affects core products

Only a few products show evidence of a deeper understanding of the core values embedded in the new medium. This might be because sales figures for physical books are high and stable, and the publishers all agree that the paper book will remain their core product for a long while yet. The publishers strive towards flexibility meanwhile, keeping an open mind about technical embodiment while waiting for a dominant design.

Rusbridger claims that instead of forcing old values into a new medium, it is important to consider how one self "should change in order to remain valid and important" (Rusbridger 27.04.09). With this frame of mind the publishers have a lot of resources to draw on. Current pilot projects draw largely on existing core competences, which for education departments are editorial and curating skills, content management, and pedagogics. Traditional core values such as "quality-assured contents", "tailoring for target audiences", and "strong brands" are also retained in these products. The publishers believe it likely that the merit of existing core qualities will persist in the future, and actively seek to retain them when digitalising.

Firms also own the rights to large amounts of archive material that are waiting to be brought out. CappelenDamm's Historic Digital Atlas (product example 20.08.11) is a good example of the curation of archive material in a new format. For Faber and Faber, the successful The Waste Land app "brings alive things from the archive that we otherwise would have left there - we probably have much more - this encourages us to explore our own material." (Keegan in Naughton 12.06.11).

The issue becomes in what way to do it; how to provide a true embodiment of the content and a good user experience. Keegan claim that Faber&Faber focused on the text, that the poem should remain at the centre. Users should, according to them, have to call up the technology; extra features initially stay hidden, rather than being there to spite you.

According to Levitt (1960), this kind of re-definition of the core business is the essence of managing change. Here creating better vision through seeing oneself as a part of a wider social network, and re-focus from 'product' to 'user experience'; from being 'producers of books' to 'tellers of stories'. Entrenched cultural values and self-enforcing path dependencies might, however, make this difficult. The question, then, becomes how to retain value, core competences and a focused vision while relating to the internet paradigm.

For the traditional firm this is challenging; interactive or tailored products demand a new level of knowledge about individual customers, and catering to the immediate and social aspects of online culture becomes important. The nature of any product embedded with internet values are, then, a far cry from the 'finished' character of the traditional book.

> "There are differences also in the expectations of the product - where the paper book was revised at regular intervals, users expect more of a digital product. Users expect frequent updates, constant development, customisation - this results in a new and higher speed when it comes to product development." (CappelenDamm 28.06.11, translated from original)

To respond to this user-created pressure it is common, in software and service industries, to use iterative product building. Firms establish the core functionalities of the product as an online platform, and use user feedback to build and develop the product over time. This creates an environment of constant updates and direct customer contact. Facebook, Google, eBay and many other successful brands online have followed this approach, and some publishers are implementing them for their larger projects.

> "Budget-wise, it becomes important to have incremental projects - not use a waterfall method. We are keen to think big, but then find the smallest possible implementation of each project. 5-10% of the large project is realised first, then we can make incremental development according to the experiences we gain. The hope is to avoid huge projects, and rather be accurate and adaptable, agile." (Gyldendal 04.07.11, translated from original)

A practical issue also presents itself in the identification of the user. When redefining the end product, the firm is also determining who the intended user is, and this end user might not be the same as the customer. This issue is especially present in some cases - for instance publishing for children and youth. In the home this group of users will have their products provided by adults, and in the schools an additional complexity is added as teaching material is interacted with by two user-groups; teachers and pupils, while being purchased by local- or district-councils (Aschehoug 15.06.11). The publisher would in this case have to define whether they provide learning- or teaching tools, and what, in either case, would be the implications of such a definition.

Implications of the Findings

Innovation-system theorists (Dahmén 1991, Fagerberg, Mowery, Nelson 2005) suggest that policy intervention can help targeted industries. To give any specific answers as to the effect of various policies, it would be appropriate to look more closely at the publishing network, booksellers, and connected industries in more detail, as any and all of these could influence how future products will fall into place. However, the management of industry policies can be commented on in a more general way.

Price will be affected, according to the publishers, by VAT exemption. This should be put in place to increase (global) competitiveness and aid the market. On the other hand, VAT-exemption for plain-text eBooks alone can be expected to increase the path dependency of the industry, and so might only prove a short-term solution with negative long-term effects. Innovation and excellence in a more specialised field would result in a broader shift towards profitability and competitiveness. The lead-user role created by state school IT-budgets seem to influence the educational market, and keeping up with technology in this area will provide an incentive for the continued creation of high-quality innovative content. For fiction titles the situation is very different, and policy-makers will have to carefully consider the balance of protectionism against the competitiveness of Norwegian businesses. The theories and arguments put forwards in this thesis would support the implementation of incentives for developing more innovative products also in general markets. Exactly what those mechanisms could be is left to further studies to find.

In taking up the new technology and dealing with it early in the global digital development, Norwegian publishers have acquired technical knowledge and positioned themselves so as to be adaptable and experimental. However, they still have some way to go before they can fully realise the potential of the new medium through business models and sales structures. Building absorptive capabilities and ensuring appropriate diffusion of knowledge is one practical step towards increased organisational ability. As market knowledge and individual users are becoming increasingly central to the process of product development and digital sales (Howe 2008), attention might also be paid to the acquisition of strategic marketing skills and end-user knowledge, as well as the development of distribution- and sales models. Innovation theory suggest that a constant assessment of competences, capabilities and the market will help build the flexibility necessary to position oneself advantageously in an incomplete development block (Teece, Pisano and Shuen 1997). Continuing the attention and investments so far afforded to digital development, as well as keeping an open mind about formats and possible technological paths, should then provide some safety.

Ultimately, any firm that wants to have a successful role in the internet paradigm needs to strive for not only knowledge of, but also a thorough understanding of the core values embedded in the new medium and how these affect existing product portfolios.

Concluding remarks

This thesis has shown in what way Gyldendal, Aschehoug and CappelenDamm relate to digitalisation, respond to the developing market, and develop digital products. It has also identified some elements that prevent the current situation from stabilising. The industry and publishers' reactions to uncertainty and change, brought about by a technological paradigm shift, have been presented and analysed.

The main findings are that the Norwegian publishing industry has come relatively far in respect to developing digital products and distribution-systems. Without the process of cooperation and standardisation of digital distribution through BokSkya, the incubation period for Norwegian eBooks might have been much longer. In taking up the new technology at an early stage, creating pilot projects, and implementing organisational change, the individual firms have acquired digital knowledge and tried to position themselves to be able to respond to market shifts and changing technologies. The publishers generally believe in, and use, a technology-push approach. Yet a divergence of formats, markets and goals in combination with the negative transformation pressure created by the missing 'dominant design', create managerial and strategic difficulties. A result is that the more advanced knowledge uptake has, so far, been limited to educational departments. This has created an imbalance of organisational competence, where some products far exceed others in complexity and adherence to internet paradigm values. The identification of the educational system as a lead-user is an interesting finding that might have political implications. By and large the publishers do not take advantage of the new medium with respect to sales structures, distribution, or project management practices. Practical implications include that the publishers should carefully consider the balance of their protectionist and commercial values, the knowledge-uptake of different departments, and long-term strategic goals.

As seen in previous chapters, the thesis has drawn on a wide array of theories and debates to present the arguments and answer the research questions. By weaving together industry-, management- and internet theory, a range of perspectives were presented. This framework informed the research and analysis in a coherent manner, and might prove a relevant foundation also for future studies of the creative industries or businesses facing a paradigm shift.

Future Research

Based on the findings presented here one could, in an extended piece of work, discuss end-user behaviour, copyright laws, actual vs. perceived value, retaining revenue, risk assessment or standardisation. The academic literature concerning these issues in an innovation context is quite limited. Keeping within the established theoretical field, however, one could still elaborate on a number of different topics; sourcing innovation, user involvement, innovation systems, organisational change or developing a dominant design.

The issues and results presented would also provide a good starting point for future studies; for instance through an innovation system approach, looking more closely at the effect of the national framework of institutions, policies that support and influence the industry, and clustering of knowledge. The Norwegian publishing industry has a long history of strong networks through alliances and governmental support, and so this network can be expected to play an important role in innovation efforts. To reflect in a more general sense on interlinked media industries would also be valuable; a direct comparison of the book industry to another copyright industry that is further down the path towards a settled development block (such as the music or newspaper industries), would throw up a rich area for studying implications of resisting change, first mover advantages and the like.

A more narrow analysis of processes of change would also be valuable in building a broader theoretical understanding. One approach to further study would be analysing the market shifts created by the technologies; the effect of the launch of the iPad on a market dominated by Amazon's Kindle and the subsequent format "war", or the recent affiliation of US publishers in a more powerful 'agency-model', and how the technology companies in response are hastening to take on the publishers role themselves. Using the actor network theory method of 'tracing the technology' would here provide rich possibilities for a better understanding of the 'rules of interaction' embedded in the new technology.

All in all, the social and economic impact of the internet has not yet been investigated with any thoroughness in academic literature, and additions to the understanding of this new paradigm should prove valuable to businesses and policy makers alike.

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Appendix 1 – Data Collection

Interviews

Listed in chronological order within the categories.

Pilot interview:

1) BokSkya (09.05.11) Director, Edmund Austigard.

Main interviews:

2) Aschehoug Literature (27.05.11) Publishing Director, Kari Spjeldnæs.

3) CappelenDamm Entertainment (30.05.11) Director General Literature, Karin Mundal.

4) Gyldendal Joint department (06.06.11) Information Manager, Bjarne Buset.

5) Aschehoug Education (15.06.11) Publishing Manager, Reidunn Guldal.

6) CappelenDamm Education (28.06.11) Director Educational Publishing, Anders Skogvold.

7) Gyldendal Education (04.07.11) Development Manager, Alexander Henriksen.

Supporting interviews:

8) Sony Corporation (17.05.11) User Interface Designer, Sam Thorne.

9) Booksellers Union [Bokhandlerforeningen] (30.05.11) Advisor, Anne Schiøtz.

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Appendix 2 – Data Display

Fig. 1

Overview of main interview data.

	Aschehoug		CappelenDamm		Gyldendal	
	Lit.	Edu.	Lit.	Edu.	Lit.	Edu.
Organisation	• Two digital consultants external to editorial and marketing. • Developing projects in a matrix, drawing on several competence pools. • Also draw on trans-company digital resource pool, Digitalt Forum, but this is problematic. • Need to gain experience with buying-in, contracts etc.	• Digital unit extracted in 2009, 14 people working as part of the project matrix. • Digital consultants visionary and ambitious - major source of collecting info and inspiration. • Ability to change / flexibility something we have been and are working with.	• Digital under production, works as a resource pool for all levels. • Streamlining workflow important. • From 2012 we will facilitate for all titles to be published as eBooks. • Also in-house competence in booclub department, draw on to get the system in place.	• Digital media unit of 5 people, work as a production department across depts. • Created production line for digital products, where editors can add content and be in control. • Building editors practical knowledge. • Working towards efficient and predictable production.	• Digital unit that serves all editorial depts, also digital editors within the editorial teams. • Separate different responsibilities and using people with the correct competence is important. • Every employee got an iPad in 2010 - increases knowledge of the medium.	• Digital editors within teams do project and business development. Separate, technical, digital unit that serves all depts. • Digital creates convergence: markets overlap, and divergence: different formats and technologies. • Iterative project management: build 5-10% of full vision first, then develop rest with user feedback.
Economy/Market	• Work heavily with VAT-exemption for eBooks and 'innkjøpsloven'. • BokSkya combats the global market for eBooks well - we are not concerned with Amazon because of this. • Early movers in the Norwegian market because of Edu ahead in the field. • Small margins already - the paper book will survive, so we have to just spread out onto more and more formats.	• Quality costs, and we need to create better willingness to pay. • Annual subscription model for digital seems to work well - but this demands year on year development. • Breaking into commercial prods. while keeping educational market. This through active investment and development.	• Price-wise we are on level with Europe; eBooks priced approx. 20% under paper format. • Volume important - it will be easier distribution and easier to build large archives but bestselling titles is still where the money will be. • Percentage-wise we see an upwards curve on digital sales - uncertain where this will level out.	• Balance market needs and innovation • Big challenge is to create willingness to pay for online content. • The internet encourages B2U sales, but this is not up to us but how customers (the council/schools) want to and are willing to pay. • Work systematically with Bonnier and Egmont, but independent market. Cooperation is useful but not vital.	• Industry fragmentation - competition with newspapers, tv etc for content and user time. Alliances possible - combining traffic and content will be a good strategy. • Regular eBooks have until recently lacked a market. • Now a sales channel has opened there is increased interest and demand for enhanced eBooks. • Customer power = monopolies?	• Maybe ahead with Salaby (educ. website) free the first year, now paywall. • Look at and create a lot of alliances with would-be competitors. • Need to constantly assess the value-network as it is changing, new actors influence our market. • Merging markets (commercial and educational).
Competencies	*CORE* • *Editorial refinement* • *Product visibility (in the market)* • Content management and market communication will increasingly merge as a single key aspect. • Future: this will remain valid.	*CORE* • *Pedagogical knowledge* • *Politics; translating government goals* • *Rights management* • We are best fitted as the products and market is today, but at the same time the future is uncertain. We need to be agile. • Future: project-management role will be important.	*CORE* • *Editorial skills* • *Rights management* • *Product visibility (in the market)* • Children's titles at the forefront of investments in developing interactivety in general literature. • All actors, also external, need to build digital book competence. • Future: the essentials will remain the same - focus on content.	*CORE* • *Editorial and topical skills* • *Pedagogical knowledge* • *Understanding learning and teaching* • Collaboration with new firms will bring out ideas, solutions and competence that match our content. • Industrialise the processes to streamline production. •Create architecture or 'base' functions to spin off.	*CORE* • *Editorial* • *Marketing* • Quality is subjective, need knowledge of markets and expectations. • Some products (encyclopedia) do not fit paper format, need to let these go or actively retain them. • Future: these become more important as competencies merge.	*CORE* • *Curator- or producer-skills: putting together content* • Teachers are our customers, but increasingly look at individual students and learning-paths. • Future: as users become more involved through blogging and feedback etc., editing and curation becomes more valuable.
Product	*CORE* • *Quality-assured contents (not dependent on format)* • Enhanced eBooks in the hands of technology companies o.s. as they have investment capital. • Future: focus on USP (unique sales points)from the idea phase will be increasingly important and affect the workflow.	*CORE* • *Tailoring for target audience* • Products need to sell in to: local council, school owners, shool board, teachers and pupils. Teachers and pupils need to be satisfied post-sales, the administration preemptively on paper. • Future: extensive direct feedback with digital a bonus, but need to be wary of technology lock-in.	*CORE* • *Need to develop new things with our core product, books, as a startingpoint* • Continuously working with practical facilitation. • Follow the market, focus on availability. • Future: the technology that is most popular will decide.	*CORE* • *Market oriented research and staying ahead but not too far.* • Distinguish between: Supplement (w. book), Digital prod., Additional prod. (high-end), Customised teaching prod., Whiteboard prod, and Others (audio, ePub etc) • 80% of teachers prefer physical teaching tools.	*CORE* • *The novel is an extreme example - main quality is being a pageturner.* • Distinguishing between eBooks and Enhanced eBooks useful. • Ink eReaders popular because format is strong enough, a novel will remain a novel. • Future: the essentials will remain the same - focus on content.	*CORE* • *Learning separate from anything to do with text.* • Distinguishing between *content* and *container* means a shift of focus, different content should be treated differently. • Need to also actively work with services and tools.
Sources of Inspiration	• Authors and competing products.	• Digital department; they are actively looking at trends and movements. • User testing and field research.	• A lot of communication with and learning from Egmont and Bonnier (foreign owners).	• Editors have a finger on the pulse of the market.	• Competing products - in apps and games. (Users don't know what is possible). • Enhanced eBooks are exciting; we have brand authors and characters that easily translate to this medium.	• The power of the medium - finding suitable solutions and possibilities for the content. • User habits and services from different markets.

Fig. 2

Matrix of overall impressions.

	Aschehoug		C.D.		Gyldendal	
	Lit.	Edu.	Lit.	Edu.	Lit.	Edu.
Resource-based						×
Technology-based	×	×	×	×	×	
Tecnical Know-How	×	×	×	×	×	
Understanding						×
Alliances			×	×		×
Subcontractors	×	×			×	
Focus on Users						×
Focus on Product	×	×	×	×	×	
Technology-push		×		×		×
Market-pull	×		×		×	
Industry-centric	×		×		×	
Medium-centric		×		×		×
Independent Dist.		×				×
Networked Dist.	×		×	×	×	
New Markets		×				
Traditional Markets	×		×	×	×	×